

**Statement of the  
Michigan Housing Council**

**Before the  
Michigan State Housing Development Authority  
Information Forum Regarding the  
Michigan Qualified Allocation Plan**

**May 10, 2007**

Good Afternoon. My name is Tricia Motter, and on behalf of the Michigan Housing Council (MHC), I want to thank the Michigan State Housing Development Authority (MSHDA) for convening this second of four public forums to discuss changes to the Qualified Allocation Plan (QAP).

The Michigan Housing Council is one of the oldest statewide associations of affordable housing professionals in the United States and represents owners, developers, managers, general contractors and subcontractors, architects, engineers, attorneys, financial groups, insurers, accountants, market analysts, tax credit syndicators, and other consultants, non-profits and businesses involved with Michigan's affordable housing industry. The importance of the Low Income Housing Tax Credit (LIHTC) program to our industry cannot be underestimated. And the QAP that will be the work product of this meeting and others like it in the coming weeks will shape not only what we do, but how we do it into the foreseeable future.

At MSHDA's first public forum, we identified five core policy assumptions that have guided the LIHTC program and the development of the Michigan QAP during the past two decades. These included:

- Consistency;
- Flexibility;
- Deep Targeting;
- Fairness; and
- A commitment to adequate Staffing levels.

These assumptions are time-tested and have a demonstrated track record for delivering tens of thousands of deeply targeted rental units into the Michigan marketplace while creating thousands of jobs and expanding the tax base in local communities.

This afternoon, we will continue to identify areas of broad concern to our association and to the affordable housing industry. And, like the core policy assumptions, we believe these areas must be addressed by the next QAP in order to preserve the entrepreneurial spirit that has made the Michigan LIHTC program and the Michigan QAP national models.

- **Processing Time.** In recent years, the time required for processing tax credit applications has increased from ten weeks to several months or longer. Such delays are costly to projects, costly to project

sponsors, and costly to the tenants who bear the ultimate risk of delay through increased rents. Although we understand the demands on staff in processing the large number of tax credit applications received by MSHDA, we also understand that the number of applications by MSHDA is not unusual for a state as large and diverse as Michigan or for a state with approximately \$19 million of housing credit to administer. States like Michigan - both in terms of the size of their programs and the demand on their resources - process tax credit applications on average within 60 days from the receipt of a tax credit application. The Michigan experience is quite different. The most recent tax credit round stretched out for nearly six months with applications accepted on September 15, 2006 and final awards announced on March 15, 2007. Even states that use a lottery as part of the allocation process like Michigan are able to process applications within a 60 day timeframe.

Delay is an economic cost to a project and its sponsor, but it is the tenants of the proposed development who will shoulder the burden of additional costs through higher rents. The new QAP must commit to processing applications in a timely and efficient manner with the entire process – start to finish - taking no more than 60 days. If other states with the same or greater volume of requests as MSHDA can complete their review in 60 days, MSDHA should be able to meet that timeframe as well.

- **Environmental and Marketing Pre-Reviews.** We appreciate the opportunity to work with MSHDA's Environmental Officer and marketing staff to review in advance materials that will be included with a tax credit application. A pre-view in each of these areas gives everyone in the process an equal opportunity to identify MSHDA concerns long before an application is submitted for review. In our opinion, however, the current process must be changed to provide certainty and concrete answers to the underlying questions posed by each tax credit application - is there a market for the development and is the environmental review of the proposed development acceptable to MSHDA? The current pre-review process does not provide answers to those questions. To the contrary, it is quite possible to go through the pre-review process only to be rejected in the tax credit round for marketing or environmental issues.

In our opinion, the time and expense of a market study or an environmental review more than justify greater certainty in the pre-review process. Once a project has been pre-reviewed by MSHDA staff, its sponsor should know the answers to those two questions. And the sponsor should be able to rely on those answers throughout the allocation process.

We also believe that greater certainty on the front end of the allocation process will decrease the processing time on the back end of the process. If we look at the last funding round again, applications were

due on September 15, 2006. The MSHDA lottery was held in the early November. But final market and environmental reviews started after the lottery - pushing the final award announcements to March 15, 2007. If the market and environmental reviews had been completed earlier in the process as we are suggesting, we believe final awards would have been made shortly after the lottery.

We are also concerned that staffing in these key areas has not kept pace with the demand on the LIHTC program. In fact, despite the fact that MSHDA processes over 200 tax credit applications annually - in addition applications under its direct lending program - MSHDA has only one environmental review officer. In the past two years, MSHDA has created and fully staffed new administrative divisions responsible for economic development, urban development, supportive housing, and outreach to southeast Michigan. And while we do not question the need for such divisions to the extent programmatic resources are available to support such efforts, we are concerned that MSHDA staff resources are not being devoted to the LIHTC program causing unwarranted delays in the allocation process.

- **Cure Period for Minor Errors.** In every funding round, there are examples of projects that are denied points, or even credits, because of simple clerical or administrative errors on the part of the applicant. It's inevitable that somewhere - in the hundreds of pages contained in each

application - something is going to be overlooked. Often times, however, the penalty for such an error seems disproportionate when points are denied or - even worse - when projects are rejected for further consideration. This situation is not unique to Michigan. Other state allocating agencies, however, have provided applicants with an opportunity to correct such mistakes as part of the allocation process without penalty to the underlying application. We believe the new QAP must provide an opportunity for project sponsors to cure minor, technical errors. And we also believe that after nearly 20 years program experience and processing tax credit applications that MSHDA should be able to identify the circumstances under which such changes may be allowed to a pending application.

We would like to conclude our remarks this afternoon by reiterating two points we expressed at the first public hearing.

First, we believe it is absolutely essential that there be two tax credit funding rounds in 2007 and a minimum of two funding rounds during any year governed by the new QAP. The public benefit of the housing credit isn't limited to the rental units created by the program. We all know that to be true. The public benefit of the housing credit also lies in the jobs created, the increased demand on local services and retailers, and an expanded tax base for local communities as LIHTC developments come online. If a decision is made to delay the next tax credit funding round until March of 2008 as some have

suggested, by default a decision will also have been made to delay the economic activity associated with these developments for a year or more. Given the current economic conditions in the state, we see no public good coming from a decision to cancel or delay a second funding round in 2007.

Second, it is critically important for affordable housing practitioners to hear from MSHDA; to understand what, if any, changes you may believe are necessary; and to understand the policy assumptions or data that you believe support such changes. The LIHTC program and the QAP are too important to the affordable housing industry, MSHDA, and the state of Michigan not to have a full and open discussion from all interested parties regarding these matters in this type of a setting rather than in the context of a 30-day public comment period. And we recommend that **prior to the initiation of any public comment period**, MSHDA hold another series of forums so that we can hear from you and understand the reasons and the policy assumptions for the changes that you will be suggesting.

Thank you.